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United States Attorney

2 Attorney for Plaintiff

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8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA

FILED

NOV 03 2004

RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

10 UNITED STATES OF AMERICA,

11 Plaintiff,

12 v.

13 LAWRENCE B. TEODORO,

14 Defendant.

CR 04 20200

Violations: 18 U.S.C. § 1343 -
Wire Fraud

15 SAN JOSE VENUE

16
17 INDICTMENT

18 The Grand Jury charges:

Introduction

19 1. At all times relevant to Counts One through Five of this Indictment:
20 a. The defendant, Lawrence B. Teodoro ("Teodoro"), was employed by
21 Timeless Toys, Inc., as its Chief Financial Officer. He was responsible for all financial
22 functions of the company including maintaining accounting records and bank statements,
23 making deposits, writing most checks, reconciling bank statements, invoicing, keeping
24 the general ledger, and generally balancing the books. Other than very junior clerks, no
25 other employees were involved in the financial operation of the business until 2001.
26

INDICTMENT

1 b. Timeless Toys, Inc., ("Timeless Toys," or "the company") was
2 incorporated in Nevada in January 1998. Until July 2001, the company's principal place
3 of business was in Foster City, California. In July 2001, the company moved its
4 headquarters to Hayward, California. Both locations are within the Northern District of
5 California. (Timeless Toys became a California corporation in March 2002.) The
6 company created and marketed stuffed bears, puppets, and other small toys.

7 c. Harold Nizamian ("Nizamian") was the Chief Executive Officer of
8 Timeless Toys.

9 d. Timeless Toys maintained the following business checking accounts:

10 (1) Bank of America Business Checking account number 09736-03703
11 ("the BA703 account"), with a billing address of Global Marketing Solutions, DBA
12 Timeless Toys, 1165 Chess Drive, Foster City, California 94404. Timeless Toys
13 maintained this account until approximately April 4, 2000, at which time Nizamian
14 instructed Teodoro to close it and open a new business checking account at Comerica
15 Bank. The branch address for the BA703 account was the AP Giannini Office, P.O. Box
16 37176, San Francisco, California 94137;

17 (2) Comerica Bank Business Checking account number 1891233338 ("the
18 Comerica account"), with a billing address of Timeless Toys, Inc., 1165 Chess Drive,
19 Foster City, California 94404. This account was opened on April 4, 2000 and closed on
20 March 14, 2002.

21 e. Teodoro maintained the following bank accounts and personal credit
22 cards in his own name and in the names of his businesses:

23 (1) Capital One Services Visa Gold account number 4388-6420-2002-9545
24 ("CO545"), with a billing address of Lawrence B. Teodoro, 22 Rittenhouse Avenue,
25 Atherton, California 94027-3836;

1 (2) Capital One Services Visa account number 4121-7416-7169-4235
2 ("CO235"), with a billing address of Lawrence B. Teodoro, 1019 Noel Drive 3, Menlo
3 Park, California 94025-3335;

4 (3) Capital One Services Mastercard account number 5291-0713-9819-
5 3936 ("CO936"), with a billing address of Lawrence B. Teodoro, 1259 El Camino Real,
6 Suite 142, Menlo Park, California 94025-4227;

7 (4) Capital One, F.S.B., Visa Business Platinum account number 4791-
8 2418-2217-9912 ("CO912"), with a billing address of Teodoro Ventures, Ltd., Lawrence
9 B. Teodoro, 1259 El Camino Real, Menlo Park, California 94025-4227. The address for
10 Capital One, F.S.B. was P.O. Box 85184, Richmond, Virginia 23285-5184;

11 (5) Comerica Bank Business Checking Account number 1891119230
12 ("CM230"), with a billing address of The Teodoro Group of Companies, Inc., 1259 El
13 Camino Real, Suite 142, Menlo Park, California 94025. This business account was held
14 at the Palo Alto/University Division branch of Comerica Bank, P.O. Box 89, Palo Alto,
15 California 94302-4359; and

16 (6) Bank of America (Nations Bank) checking account number 0041-1405-
17 6807 ("BA807"), with a billing address of Lawrence B. Teodoro, 1019 Noel Drive #3,
18 Menlo Park, California 94025-3335.

19 f. Each of the credit card accounts listed in subparagraphs e(1) through
20 e(3) had as its mailing address: Capital One Services, P.O. Box 60000, Seattle,
21 Washington 98190-6000. All on-line payments made to any of those three credit card
22 accounts would be processed through a payment center located in Glen Allen, Virginia.

23 The Scheme and Artifice to Defraud

24 2. Between January 1998 and January 21, 2002, Teodoro embezzled a total of
25 at least \$1,154,745 from Timeless Toys. He did so by using his position as a trusted
26 officer of the company, and his control over its finances, to transfer funds from the

1 company's bank account to his own account. He accomplished this by simultaneously
2 maintaining, without Nizamian's knowledge, two operating accounts for Timeless Toys:
3 the BA703 and the Comerica accounts. Teodoro used the stolen money to pay for his
4 own personal and outside business expenses, and to support his lavish lifestyle.

5 3. Until April 2000, BA703 was Timeless Toys' only operating account. On
6 or about April 4, 2000, however, Nizamian instructed Teodoro to close the BA703
7 business checking account and open a new account at Comerica Bank. Teodoro
8 subsequently told Nizamian that he had done so. As Nizamian did not discover until
9 almost two years later, instead of closing the BA703 account, Teodoro left it open but
10 changed the mailing address to one of his own: 1259 El Camino Real, Suite 142, Menlo
11 Park, CA 94025. Thereafter, statements, checks, and correspondence from the BA703
12 account no longer went to the company but instead went directly to Teodoro.

13 4. For the next two years, Teodoro used the BA703 account to issue, without
14 knowledge or authorization by Nizamian or Timeless Toys, hundreds of corporate checks,
15 representing funds belonging to Timeless Toys, to himself, merchants, bank accounts he
16 controlled, and credit cards, all for Teodoro's personal benefit rather than for the benefit
17 of Timeless Toys, including but not limited to: (1) the BA807 account (Teodoro's
18 personal checking account); (2) the CM230 account ("Teodoro Group of Companies"
19 business checking account); (3) Capital One credit card accounts (personal and "Teodoro
20 Ventures, Ltd." credit cards); (4) Costco; (5) cash; (6) Lawrence Teodoro; (7) Fry's
21 Electronics; and (8) the luxury St. Regis Hotel in New York City.

22 5. During this period, Teodoro also used the BA703 account to make wire
23 transfers to other bank accounts he controlled and to make payments on his personal and
24 outside business credit card accounts.

25 6. Teodoro was able to accomplish this fraud, in part because during the years
26 2000 and 2001, Nizamian was out of the office for long periods due to his activities as a

1 consultant and also his recurring, severe health problems. Teodoro also consistently lied
2 to Nizamian when Nizamian asked him about the company's finances. When Nizamian
3 would ask Teodoro why the company's bills were not being timely paid, Teodoro falsely
4 responded either that Timeless Toys did not have sufficient funds to pay them, or that the
5 bills were in fact being paid. Teodoro knew those representations to be false when he
6 made them.

7 7. A subsequent review of receipts and disbursements from the BA703 and
8 Comerica accounts established that Teodoro had embezzled \$1,154,744 between 1998
9 and January 21, 2002. Specifically, Teodoro stole \$73,688 in 1998 (43 % of the
10 company's sales revenue); \$130,069 in 1999 (42.8 % of revenues); \$364,005 in 2000
11 (28.3 %); \$582,482 in 2001 (49.8 %); and \$4,500 in the first few days of 2002.

12 COUNTS ONE THROUGH FIVE: (18 U.S.C. § 1343 – Wire Fraud)

13 8. Paragraphs 1 through 7 are realleged and incorporated as if fully set forth
14 here and in each of Counts One through Five, below:

15 9. On or about and between January 1, 1998 and January 21, 2002, both dates
16 being approximate and inclusive, in the Northern District of California, and elsewhere,
17 the defendant,

18 LAWRENCE B. TEODORO,

19 did devise and intend to devise a scheme and artifice to defraud and to obtain money by
20 means of false and fraudulent pretenses, representations, and promises from his employer,
21 Timeless Toys.

22 10. On or about the dates listed below, within the Northern District of
23 California, and elsewhere, the defendant, for the purpose of executing said scheme and
24 artifice, did knowingly transmit and caused to be transmitted by means of wire
25 communication in interstate commerce certain writings, signs, signals, and pictures, as
26 further set forth in Counts One through Five, below:

Count	Date	From	To	Communication
1	02/20/01	Account: BA703 San Francisco, CA	Account: CO936 Seattle, WA	\$2,000 on-line payment to Teodoro's MasterCard
2	08/02/01	Account: BA703 San Francisco, CA	Account: CO936 Seattle, WA	\$5,211.24 on-line payment to Teodoro's MasterCard
3	08/30/01	Account: BA703 San Francisco, CA	Account: CO936 Seattle, WA	\$5,320 on-line payment to Teodoro's MasterCard
4	10/10/01	Account: BA703 San Francisco, CA	Account: CO545 Seattle, WA	\$935 on-line payment to Teodoro's Visa Gold credit card
5	12/21/01	Account: BA703 San Francisco, CA	Account: CO545 Seattle, WA	\$994.13 on-line payment to Teodoro's Visa Gold credit card

All in violation of Title 18, United States Code, Section 1343.

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INDICTMENT

ENHANCEMENT ALLEGATIONS

11. With respect to each count, the actual loss attributable to Teodoro's scheme to defraud Nizamian and Timeless Toys was more than \$1,000,000 but not more than \$2,500,000.

12. With respect to each count, the offense involved sophisticated means.

13. With respect to each count, Teodoro abused a position of private trust, and a special skill, to commit the offense, in a manner that significantly facilitated the commission and concealment of the offense.

DATED:


11-3-04

A TRUE BILL.


FOREPERSON

KEVIN V. RYAN
United States Attorney


MATTHEW A. PARRELLA
San Jose Branch Chief

(Approved as to form: 
AUSA Callaway

INDICTMENT